

TESTIMONY

Of

Kevin J. Martin

Chairman

Federal Communications Commission

Before the

**Subcommittee on Commerce, Science, State, Justice and Commerce
of the Committee on Appropriations
United States House of Representatives**

On the

**Federal Communications Commission's
Fiscal Year 2006 Budget Estimates**

Tuesday, April 26, 2005

TESTIMONY OF FCC CHAIRMAN KEVIN J. MARTIN

Mr. Chairman, Ranking Minority Member, and Members of the House Science, State, Justice, and Commerce Appropriations Subcommittee, I appreciate this opportunity to appear before you today to discuss the Federal Communications Commission's Fiscal Year 2006 Budget Request.

This is my first appearance before this Subcommittee and my first appearance before Congress since assuming the FCC's Chairmanship on March 18, 2005. The Commission's Fiscal Year 2006 Budget Request and the proposed programmatic initiatives it contains were formulated by my predecessor, Chairman Powell. During my first few weeks, however, I have personally endeavored to gain a greater appreciation for the budgetary process that supports the Commission's mission. I am working with my staff to continue undertaking a comprehensive review of the Commission's budget and Commission operations to ensure that when we do receive our funding level for the next fiscal year, we are prepared to use our resources in the most efficient manner possible.

I am pleased to work with the Subcommittee on the Fiscal Year 2006 appropriations process. The appropriations process is an exercise in fiscal responsibility – it helps us to define our goals within the parameters of financial reality. It enhances our internal system of financial checks and balances by bringing into focus the concerns of this Subcommittee and its staff. I welcome your input and oversight, and I look forward to working with you to ensure the Commission is financially able to perform its mission.

I understand the Subcommittee seeks to ensure the Commission runs a tight fiscal ship, and I share that goal. Access to accurate and detailed financial information is essential for the Subcommittee's oversight functions, and I recognize that Subcommittee

staff relies on the Commission for timely information on internal budget-related activities. To advance our mutual goal of fiscal responsibility, going forward I am committed to providing the Subcommittee with the data you request at the level of detail and in the format that you prefer. Indeed, I have instructed our staff to work with Subcommittee staff to develop a standard format that you would prefer on a going-forward basis.

Fiscal Year 2006 Request

The Commission is requesting spending authority of \$304,057,000 for Fiscal Year 2006, with a direct appropriation of \$4,823,000. The Commission will raise the remainder, or \$299,234,000, through regulatory fees. During the current fiscal year, the Commission has a spending level of \$281,098,000, with all but one million dollars being raised through regulatory fees.

To continue to operate at our current level, the Commission would require \$289,784,000, or a three percent increase over the previous fiscal year, for nondiscretionary operating increases. Of the total requested for the next fiscal year, \$8,686,000 is designated for these non-discretionary operating increases to maintain Fiscal Year 2005 service levels, including employee salaries for our projected full-time equivalents (FTEs), and inflationary increases for office space rental, supplies, printing, postage, and contractual services.

In addition, the Commission is requesting an additional \$14,273,000 to implement four program performance initiatives. First, \$450,000 would fund the E-Government Personnel Program to allow the FCC to participate in a government-wide program to

manage personnel data electronically. Second, the Commission requests \$1,350,000 for the Licensing Integration Initiative to provide enhancements to the Commission's computer systems in order to improve licensing resources and facilitate cross-bureau applications – a program that will enhance consumer interaction with all of the Commission's licensing systems at a time of increased convergence in telecommunications services.

Third, the Commission is requesting \$9,300,000 for a special Field Facilities Improvement Initiative at the Commission's offices in Columbia, Maryland. Two years ago, the Commission initiated a study to develop a master plan for the Columbia, Maryland, facilities. The study found that the most economically feasible method for conducting essential repairs and upgrades would be to consolidate into a single new building the Technology Laboratory with the Enforcement Monitoring facilities located on the same property. These facilities in Maryland are essential to the Commission's core mission. The integrity of the Enforcement Monitoring Station also is important to homeland security. Personnel at that station assist the Department of Defense and the Department of Homeland Security in monitoring activities, while also carrying out routine Commission enforcement functions. The requested funds would provide site preparations, construction, utility tie-ins, security access and monitoring, and telecommunications hook-ups.

The FCC's fourth special request is \$3,173,000 to hire 26 limited term FTEs to increase Universal Service Fund audit and oversight activities in Fiscal Year 2006. The requested funds would provide for additional FTEs in the Office of Inspector General, the Wireline Competition Bureau, and the Office of Managing Director. The additional

personnel would perform audits, provide investigational support to law enforcement agencies, review audit findings, and handle legal proceedings arising from the increased oversight, including actions to recover USF monies from beneficiaries that failed to use the funds in accordance with program rules. We will work with Congress to ensure the requested funds improve the efficiency of the programs and safeguard the USF from waste, fraud, and abuse.

Auctions Funding

One of Commission's important functions is the assignment of spectrum licenses to entities engaged in telecommunications services. As of September 30, 2004, the revenue from the Commission's auctions program has totaled \$26.8 billion. OMB has projected future receipts from Fiscal Year 2006 through Fiscal Year 2010 to be \$18,330,039,000 after program costs, and the valuation could reach much higher levels if extended through the next ten years. Section 309(j) of the Communications Act permits the Commission to pay for all auctions expenses from the proceeds of the auctions, subject to OMB review. During the past two funding cycles, the final appropriations bills set a cap on auctions expenses of \$85 million. The Commission's Office of Managing Director estimates that the amount necessary to adjust for pay raises and inflation during Fiscal Year 2006 is an additional \$1,961,000 over Fiscal Year 2005's level, or an increase of 2.3 percent over the previous year.

In the President's Budget, the Administration has said it will propose legislation to extend indefinitely the Commission's auction authority, which will expire on September 30, 2007, under current law. Both OMB and CBO predict that lifting the

sunset will increase the value of spectrum scheduled to be auctioned by avoiding a potential glut in the market during a compressed period. In addition, the Commission's Office of Managing Director has informed me that the failure to extend the deadline at this time will result in the need to develop a wind-down plan for the program when we begin to prepare the Fiscal Year 2007 Budget this summer.

Budget Objectives

The Fiscal Year 2006 Budget outlines the Commission's Strategic Plan, provides evidence of the FCC's accomplishments in targeted areas, and delineates future methods for using resources to achieve specific goals. Because my tenure as Chairman began just last month, I am in the process of working with my colleagues on the Commission and with members of Congress to develop plans for promoting the deployment of broadband services, deregulating where competition exists, enhancing public safety and homeland security, ensuring the viability of the Universal Service Fund, promoting the efficient use of spectrum, and reviewing media regulation to foster competition and diversity. I am also developing plans to ensure the Commission has the tools and training necessary to accomplish our goals and mission.

Conclusion

Thank you again for this opportunity to work with you to review the Commission's Fiscal Year 2006 Budget. I respectfully request that this Subcommittee grant the Commission its full funding request for Fiscal Year 2006. I would be pleased to answer any questions you may have.